

REMARKS BY THE GOVERNOR OF THE BANK OF NAMIBIA: MR. JOHANNES !GAWAXAB AT THE LAUNCH OF THE MODIFIED 20 NAMIBIA DOLLAR BANKNOTE ON MONDAY, 20 FEBRUARY 2023, OPUWO.

Honourable Governor of the Kunene Region, Hon. Marius Sheya
Police Regional Commander, Commissioner James Nderura,
Heads of Government Ministries, Offices, Agencies and Parastatals,
Director of Currency Management and Banking Operations, Sencia Kaizemi-Rukata,
Incoming Oshakati Branch Manager, Ms Moudi Hangula,
Branch Managers of the various commercial banks in the region,
Staff of the Bank present,
Distinguished guests,
The members of the media,
Ladies and Gentlemen,
Good morning,

- 1. It gives me great pleasure to be here this morning to mark the official launch and issuance of the modified twenty Namibia dollar banknote.** I am pleased to be in the heart of the unique and beautiful Kunene region – joined by the Regional Governor. We have chosen Opuwo for reasons that will become clear in the coming moments, as my remarks this morning will focus on an issue that is close to my heart and has been elevated in our strategic objectives as a Central Bank committed to the prosperity of all Namibians – namely financial inclusion and participation of all Namibians in the economy.

Ladies and gentlemen,

- 2. The Bank of Namibia's core mandate is to promote price and financial stability in the Namibian economy.** As part of that mandate, the Bank of Namibia's responsibility is to ensure that there is sufficient physical currency to meet the market demand at any given time. Physical currency plays an important role in the economy as it provides a means of payment for transactions and serves as a store of value for individuals and businesses. Suppose there is an insufficient supply of banknotes in circulation. In that case, it can lead to economic disruptions such as delays in transactions, reduced economic activity, and even a rise in the prices of goods and services. Hence a steady

supply of good quality currency is critical to maintaining the stability and effectiveness of the monetary system.

3. **To give effect to that, the Bank forecasts on an annual basis the national currency demand and, as such, ensures the timely replenishment of all currency denominations in accordance with its Currency Design and Production Policy.**

When replenishing banknotes, it is essential to remember that physical money is the lifeblood of our economy and more so in our rural areas. Just like our bodies need a steady supply of blood to function properly, our economy needs a steady supply of currency to keep transactions flowing smoothly. It is thus the responsibility of the Bank of Namibia to ensure that we have enough banknotes and coins in circulation.

4. **Our Banknotes have state-of-the-art, cutting-edge security features.** In line with international industry best practice, banknotes should bear the signature of the sitting Governor as a level one security feature and as a public recognition feature when they are replenished or when a new series is issued. This is one of the main reasons that brought us to the great Kunene region today. The modified N\$20 banknote that we will launch and issue to the market today bears the signature of the incumbent Governor.

Ladies and gentlemen,

5. **It is important to note that Namibia remains predominantly a cash-based economy, particularly in the semi-urban and rural set-up.** In 2022, the total currency in circulation stood at **N\$4.8 billion**, equating to 2.5 percent of Namibia's total Gross Domestic Product (GDP). Equally worth noting is that, over the past few years, the Bank has observed a steady growth in the demand for currency. In the immediate post-Covid environment, the Bank noted a 2.4 percent increase in the currency in circulation in 2022 compared to 2021. It is evident from this that many of our people continue to use cash (coins and banknotes) as the primary form of payment in settling their transactions, conducting their business activities, and meeting social obligations. And it is equally our priority to ensure that banknotes and coins are accessible, durable, recognisable, and easily authenticated.

6. **Launching this banknote today signals our commitment to promoting the inclusion of all Namibians in our economy by increasing their participation and expanding opportunities.** In line with our mandate, financial inclusion is high among the Bank's shared roles and priorities in advancing the responsiveness of the financial sector and contributing to the inclusive growth of the economy. Financial inclusion simply means the provision of financial services to the "unbanked" (individuals or businesses)

in an affordable, sustainable, and ethical way. Banking the unbanked is essential for the economy. The access to and usage of quality financial services enables families and small business owners to generate income, manage their cash flow, invest in opportunities, and work their way out of poverty. Financial inclusion is, therefore, an enabler and accelerator of broad-based economic growth and resilience, improved financial health, job creation and development.

7. Namibia is making steady progress toward promoting financial inclusion.

According to the Namibia Financial Inclusion Survey of 2017, the proportion of the financially excluded population was 22 percent in 2017. This decreased from 31 percent in 2011 and as much as 51 percent in 2007, a figure that has more than halved over 20 years but still with room to improve. This has been thanks to constant innovation in the payments ecosystem that has contributed to higher rates of financial inclusion in the country. We have witnessed an exponential growth of electronic money, also known as E-money (wallet services as part of payment services offered by banks and non-banks). There are currently over 2.5 million active wallets with 64 million transactions worth N\$34 billion during 2022. Another innovation has been the introduction of the Basic Bank Account by the Bank of Namibia. Commercial banks must offer this low-cost product to the public and other digital financial services.

8. Despite significant progress toward financial inclusion for all Namibians, the Bank of Namibia is well aware that many of our fellow citizens, particularly those in rural areas, face significant barriers to accessing financial services and products.

Access and inclusion to digital services require national infrastructure, including internet connectivity and sufficient electricity supply that spans the entire country. In Namibia, we enjoy over 98% access to telecommunication services using mobile phone networks. However, broadband access could be better. The challenge for our country is even more daunting given the vastness of the territory, and putting up infrastructure can be an expensive undertaking.

9. For our people to benefit and participate productively in the economy, we need to find ways of bridging the digital divide, as the cost of financial exclusion is far too great and one that we can ill afford.

Financial exclusion is closely associated with poverty and social exclusion and imposes significant costs on individuals. It often means paying more for basic financial transactions, resorting to expensive sources of credit and illegal loan sharks, and preventing people from building up assets. These people are also more vulnerable to theft, unexpected costs, and redundancy.

10. Improving financial inclusion necessitates a multifaceted strategy involving numerous public and private stakeholders. In this regard, the Bank will continue its efforts to drive financial inclusion through various regulatory strategies, digital innovation, and enabling technology in order to drive deep penetration of financial services in underserved communities. In this regard, we are investigating some solutions that, if fully implemented, could be a game-changer. This will undoubtedly spur innovation by making payment systems and products interoperable and thus lowering transaction costs. Access will also be expanded, particularly in rural areas and the informal economy. Watch this space as we will make announcements later in the year if these explorations are successful.

Ladies and gentlemen,

11. We are also mindful that our SME sector cannot access quality and diversified financial services and products. As we all know, Small and Medium Enterprises significantly contribute to economic growth and development. We, therefore, need to find cost-effective, efficient ways for SMEs to access quality and affordable financial products to foster the entrepreneurial spirit.

12. As we are all aware, the SMEs sector was crippled by the Covid-19 pandemic resulting in huge financial losses, businesses barely keeping afloat, job losses, and some businesses left with no option but to close their doors. To assist SMEs and revive economic activity, the Bank of Namibia, in conjunction with the Ministry of Finance and Public Enterprises, has recently availed N\$500 million guarantee towards lending to help businesses recover. We re-launched the SME Economic Recovery Scheme earlier this month, improving the qualifying criteria and offering better rates. The Scheme provides funds, through participating commercial banks, to eligible businesses to assist them in covering their operating expenses such as salaries, rent, and lease agreements, amongst others. I want to take this opportunity to urge SMEs to contact participating commercial banks for more information about this scheme and qualifying criteria.

Ladies and gentlemen,

13. As I conclude my remarks this morning, trust is a key ingredient to a well-functioning financial system. As Patrick Dixon reminds us, "In finance, trust is the only thing you have to sell." Let me assure the Namibian people that the banknote we are launching here today, together with all other series of banknotes currently in circulation, remain trusted forms of exchange for goods and services and remain legal tender.

14. With these few words, Distinguished Guests, I now have the honour and privilege to call upon the Regional Governor of the Kunene Region to join me in officially launching the modified N\$20 banknote. This launch will be shortly followed by the official issuance of the modified N\$20 banknote into circulation - in the next few minutes.

Thank you so much for your attention.